

Opening remarks

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(Introduction)

Good morning, distinguished guests, ladies and gentlemen. It is a great pleasure for me to be here today at the beginning of the IFIE-IOSCO Conference, which is celebrating its 10th anniversary.

We think that most jurisdictions, including Japan, recognize investor education as a high-priority issue. In order to promote investor education effectively, we also recognize that collaboration among relevant parties is crucial. In this context, we see that opportunities like this Conference, where relevant parties inside and outside Japan share their views and expertise, are becoming more important.

In my remarks, I would like to introduce our policy initiatives, including those on investor education, as well as their background.

(A Virtuous Cycle of Finance and Real Economy)

Let me start with an introduction on the current situation in Japan. Given a declining birthrate and aging population, we believe it is crucial to stimulate investment as well as consumption in order to revitalize the market and promote sustainable economic growth in Japan. Although Japanese households have accumulated over 17 trillion dollars of financial assets, more than half of those are held by risk-free

assets, such as cash and deposits, rather than equity and investment funds. It is difficult to say that these household financial assets have been effectively used for the market and economic growth. And, consequently, there has not been necessarily a good flow of funds in Japan.

To address this challenge, the JFSA has been implementing various policy measures with the aim of changing the flow of funds and creating a virtuous cycle of interaction between the financial sector and the real economy, which helps to promote sustainable economic growth in Japan.

Next, I would like to provide overviews of our initiatives by each.

(Initiative 1: Principles of Customer-Oriented Business Conduct)

First of all, we believe it is important that financial institutions fulfill fiduciary duties for their customers and conduct their businesses in a customer-oriented manner. To this end, we published the seven “Principles” in March 2017. We continuously monitor the implementation of these principles and work to encourage financial institutions to act in the best interest of their customers.

(Initiative 2: Corporate Governance Reform)

Second, in order to shift household assets from bank deposits or cash to securities investments, it is important to ensure that invested companies enhance their enterprise values and deliver a good return to their shareholders. As improving corporate governance is the key, we established the Stewardship Code in 2014 and the Corporate Governance

Code in 2015.

We can see that corporations in Japan are steadily changing in tandem with the progress made in the corporate governance reform. Nevertheless, it is important to continue this initiative. Going forward, the JFSA will formulate guidelines for dialogue between institutional investors and investee corporations. We will also consider the revision of Corporate Governance Code.

(Initiative 3: NISA and Investor education)

Third, we will promote the smart diversification of household financial assets through Nippon Individual Savings Account, so-called NISA, and investor education so that people can enjoy the benefits of investments and returns from enterprises. NISA is a tax exemption scheme for individuals on capital gains and dividends derived from investment up to 1.2 million Japanese yen (about 11,000 USD) per year for 5 years. We launched NISA in 2014.

(Initiative 3-1: Dollar-Cost Averaging NISA)

In order to promote longer-term, regular and diversified investment for households, in January 2018, we introduced another tax exemption scheme, “Dollar-Cost Averaging NISA”, which is effective up to 400 thousand Japanese yen (about 3,700 USD) per year for 20 years.

Given that a number of investment trust funds in Japan have so far been theme-based and short-term with high turnover ratio, this new tax exemption scheme is designed to be only applicable to qualified investment trust funds, which are suitable for long-term installment investment, such as no load funds and funds with low trust fees. I hope “Dollar-Cost Averaging NISA” will be a catalyst in generating a continuous

flow of the Japanese households' savings to securities via investment trust funds.

(Initiative 3-2: Investor education)

We have also taken measures to promote practical and effective investor education, mainly targeting beginner investors or potential investors who have not yet engaged in regular investment.

First, we focus on workplaces as an initial foothold to achieve the widespread use of Dollar-Cost Averaging NISA and offer investor education. JFSA developed and published the materials, which can be used for investor education at workplaces, in collaboration with other relevant organizations.

And, in addition, to effectively reach out to younger generations, who use devices such as smartphones and tablets, we have organized regular meetings with influential bloggers who deliver useful information and insights to beginner investors.

(Conclusion)

Let me conclude. Today, many experts from various organizations, who lead investor education in each jurisdiction, attend this conference. I believe the Conference provides an excellent opportunity to discuss the common challenges we face and to learn effective approaches. I hope all participants here will actively participate in the discussion with great interest.

I wish this Conference to be a greatly fruitful and successful event. Thank you for your kind attention.